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C O N F I D E N T I A L SECTION 01 OF 02 PARIS 001293

SIPDIS

STATE FOR NEA, EUR/WE, EUR/ERA (CHASE) AND EB

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TAGS: [PREL](#) [EAID](#) [EFIN](#) [SY](#) [LE](#) [FR](#)

SUBJECT: SYRIA: FRANCE NOT INCLINED TO BLOCK EIB WATER LOAN

REF: A. STATE 29000

[B](#). PARIS 1188

[C](#). 05 PARIS 8673

Classified By: ECON Counselor Kenneth Merten for reasons 1.4 (b) and (d).

[1](#). (C) Summary. French officials continue to suggest that France will not block the proposed EIB loan to support water projects in Syria. In our discussions with senior Elysee, MFA and Finance Ministry officials, they have been quick to note that Syria is not under EU sanctions, that the water project is humanitarian in nature, and that EIB decisions are taken by representatives of EU member states, French opposition alone could not stop approval of the loan. While GoF officials continue to discuss the water sector loan internally and have suggested an EIB postponement may be possible, our overall impression is that France will support this loan, largely on humanitarian grounds. End Summary.

[2](#). (C) Pol Min Couns and PolOff discussed reftel points in detail with MFA A/S-equivalent for Middle East/North Africa Jean-Francois Thibault February 28, after first raising the issue with Thibault February 23. Pol M/C urged reconsideration of the EIB loans for Syria and stressed the contradictory message sent by such loans in the midst of continued SARG destabilization of its neighbors and intensive, U.S.-French-led efforts to isolate Syria and press it to meet its UN obligations. Thibault conceded that there was a contradictory political message sent by such loans and assured Pol M/C that the GoF was taking U.S. objections into consideration. At the same time, he gave no indication that France would seek to block the EIB loans, and instead stressed the independence of the EIB as an institution and its tendency to review projects by economic and financial criteria only.

[3](#). (C) Thibault also stressed the humanitarian character of the water sector project, noting that it would assist poor populations in communities south of Damascus and two Palestinian refugee camps. The fact that projects involved in the three proposed EIB loans to Syria (telecom, energy, water sector) dated back to 2001, in Thibault's view, was another factor favoring EIB approval. According to Thibault, the GoF wanted to avoid the impression of sanctioning the Syrian people or a "logic of generalized sanctions" against Syria. Syria remained a participant in the Barcelona Process and the EU "neighborhood policy," even though the EU-Syria Association agreement remained frozen, and the EU had not taken any decisions to sanction Syria. (Septel will report further on Thibault's expressed reticence on Syria sanctions, in response to the Syria/Lebanon white paper conveyed in State 29048.) At the same time, Thibault suggested that there might be a possibility that the EIB Board would postpone a decision on the proposed water-sector loan during its upcoming March 6 meeting, if the EU at 25 failed to reach a common decision. (Note: MFA and Elysee officials told us the EIB board will review the proposed Syria loan March 6, not March 3, as reported ref A. End note.) In the end, he declined to speculate how France would vote at the EIB board meeting, and noted that the GoF would be represented by Finance Ministry officials; the MFA, though seeking greater input into decision-making, did not have the final say.

[4](#). (C) In a separate conversation with Pol M/C February 24 (ref B), Presidential Middle East/Americas advisor Dominique Boche stressed that the EIB loans remained a European decision, and suggested further follow-up with Thibault. In a follow-up discussion March 1, Boche concluded that the water sector loan was humanitarian in nature, and the funds would not be easily misused by the regime. When asked about a possible postponement, Boche gave no indication that France would pursue such an outcome. Poloff heard a less helpful response from MFA Cabinet Advisor for the Middle East/UN issues Christophe Guilhou, who suggested that, in the absence of EU sanctions, the EU should not seek to punish the Syrian people by cutting off assistance projects of public benefit.

[5](#). (C) On 27 February conversation after reviewing the U.S. points on the loan, the Finance Ministry's Gerard Belet reminded Econ Couns that Syria was not subject to EU or French sanctions, that the water project was humanitarian in nature, and that France alone would be relatively powerless

to stop approval of the loan, even if they were inclined to oppose it. He added that the decision would be "prepared by the EIB services" and that the country representatives who would decide "usually do what the services recommend." Econ Couns explained that the project perhaps had merits for the Syrian people but that this was a critical time in the international community's relations with the Syrian regime. The time was not right to send a contradictory signal that could be interpreted by the Syrians as "business as usual." Econ Couns suggested that French support for a postponement of the decision would be a step in the right direction. Belet took note and admitted that interagency discussions between "quite senior" officials at the Finance and Foreign Affairs Ministries were ongoing and that no final position had yet been taken. Econ Couns said he would contact Belet again on 2 March to learn the conclusions of the GOF deliberations and reiterated that the "moment is not right" to give a positive and contradictory signal to Syria by approving the loan.

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Stapleton